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SUBJECT: EU STRATEGIC ENERGY REVIEW

¶1. (SBU) On November 5 the EU Commission plans to publish its second "Strategic Energy Review." The Commission presented its first strategic energy review in January 2007 as part of a wider communication on energy and climate change. The review provided the basis for commitments made by EU countries in March 2007 to reduce greenhouse gas emissions by 20 percent by 2020, while boosting renewable energy use to 20 percent over the same period. The March-2008 European Council called for the second Strategic Energy Review to "focus in particular on security of supply, including regarding interconnectors and external energy policy." The Spring 2009 European Council will assess the implementation of the Energy Policy for Europe Action Plan and will adopt the necessary measures in the field of energy security with a view to adoption of the Action Plan by the Spring European Council in 2010.

The Presidency Brief

¶2. (SBU) The French Presidency presented a brief on Energy Security at the October 2008 Council. The September 1, 2008 extraordinary European Council on Georgia had noted in its conclusions that "recent events illustrate the need for Europe to intensify its efforts with regard to the security of energy supplies" and consequently tasked the Council, in cooperation with the Commission, to examine initiatives to be taken to this end, in particular as regards diversification of energy sources and supply routes."

¶3. (SBU) The 15-page brief calls for improving the EU's energy security via:

-- Energy efficiency. The brief considers energy efficiency as a top priority and as one of the most effective means of increasing energy security. It proposes adopting demanding specifications by the end of this year for several categories of electrical appliances and in particular domestic lighting.

-- Diversity of energy sources. The brief considers moves to diversify the EU's energy mix as key to increasing energy security while still respecting each Member State's choice of energy mix. It calls for making sure the practical measures taken to meet the 20 percent renewables goal contribute to energy security. It leaves the choice over nuclear to each member state, but calls for setting up a European framework for nuclear safety and making progress in defining a safe and sustainable solution for the management of radioactive waste and spent fuel.

-- Transparency concerning energy supply and demand. The brief argues sharing information on short and long-term energy needs and resources is essential to promote investment and develop joint interdependent action on energy security. It calls for improving transparency in relation to oil and gas stocks in member states.

-- Solidarity arrangements. The brief calls on the Commission to propose necessary amendments to improve

consistency between the EU oil-stocks legislation and the IEA mechanism. It invites the Commission to make suggestions in November for the establishment of a gas solidarity mechanism based on each Member State's capacity to reduce gas needs during an emergency either by drawing on stocks, increasing production or imports, or reducing consumption.

-- Infrastructure improvements. The brief calls on the Commission to issue in November guidelines for updating and strengthening the Trans-European Energy Networks (TEN-E) program. It calls on the Commission to submit a report identifying interconnection problems, proposing remedial action with a view to holding initial discussions before the end of the year and adopting conclusions at the Spring 2009 European Council.

-- External Policy. The brief calls on the Commission to identify those countries where the EU's efforts should continue or be focused, particularly in terms of geographical diversification of energy sources and supply routes. It envisages a high-level meeting with Caspian Basin and transit countries from in Spring 2009.

The Leaked Version

¶4. (SBU) According to a draft of the Commission's Strategic Energy Review leaked to the UK registered Euractiv.com, the Commission's review will set out the following priorities:

-- The top priority will be greater energy efficiency, which the Commission views as the "prime means of improving energy security, climate protection, and competitiveness all at once."

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-- The second priority will be increasing the range of energy supply options, whereby "a diversity of energy supplies should enter the market". Sixty percent of electricity generation should be "low carbon" by 2020, according to the review, which envisages nuclear and renewables taking on an equal share and sees the contribution of natural gas and coal decline.

-- The Commission will make greater investment in energy technology the third priority of the review. Investment in clean energy technologies has declined in the EU in recent decades compared with the U.S. and rapidly developing states like China.

-- In a repeat of recommendations made as part of the chapter on energy supply diversity, the Commission considers a "well-interconnected, well-functioning internal energy market" as the "prime strength which Europe has to reduce its vulnerability to supply shocks."

¶5. (SBU) Along with the review, the Commission says it will publish a Green Paper to launch a public debate on how the "limited resources" of the Trans-European Networks for Energy (TEN-E), the main pool of EU funds available for energy infrastructure upgrades, should be spent in the coming years.

What We've Heard

¶6. (SBU) The press version is similar to what we heard from a POL DG-RELEX contact, both of which track well with the priorities laid out in the French Presidency briefing. According to the contact, the Strategic Energy Review will call for adoption of the EU Energy Security and Solidarity Action Plan focusing on:

-- External energy relations and promoting infrastructure needs and the diversification of energy supplies;

-- Oil and gas stocks and crisis mechanisms;

-- Energy efficiency; and

-- Making the best use of the EU's indigenous energy resources.

-- There is also a suggestion to replace the TEN-E instrument by a new EU Energy Security and Infrastructure Instrument.

17. (SBU) Moreover, the review will call for greater focus on energy in the EU's international agreements. It proposes developing a public/private approach to minimize political risks and proposes an Instrument for Ensuring Transparency on International Energy Issues (among Member States and the Commission).

18. (SBU) POL's contact expects the Review to propose a revision of the EU emergency oil stocks legislation and the Gas Security of Supply Directive in 2009, as well as recommendation to improve the use of the EU's indigenous energy reserves, including: a new 2008 Energy Efficiency Package, a Communication (official position of the Commission presented to the Parliament and Council) on "Overcoming barriers to Renewable Energy in the EU" in 2010, and a revised proposal for a Directive on nuclear safety.

Next Steps

19. (SBU) The next steps for the process are:

-- November 2008: Commission to publish: (1) Second Strategic Energy Review, (2) Green paper on use of TEN-E funds, and (3) Proposal for revision of Energy Performance of Buildings Directive.

-- Before end 2008: Commission to publish a communication on financing low carbon technologies.

-- March 2009: Spring European Council - EU heads of state to adopt conclusions on second Strategic Energy Review.

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